

BANK STOCKS

Wellesley Hills, Mass. Oct. 21, 1922. There has been much discussion regarding branch banks at the annual convention of the American Bankers' Association which was held last week in New York. Owing to the controversy which this discussion has developed, Roger W. Babson was today interviewed regarding the probable outcome.

"Of course the discussion is the natural outgrowth of the establishment of the Federal Reserve Banks. Before the days of the Federal Reserve system," says Mr. Babson, "a branch bank organization practically invisible organization. For instance, the small bank in Indiana took orders from its correspondent bank in Indianapolis; and the Indianapolis bank took its orders from a still bigger bank in New York. The heads of a few of the New York banks would hold a conference at the home of the late J. Pierpont Morgan or at the home of Mr. Baker of the First National Bank, and decide upon a policy. This policy they would pass along to the large banks of Boston, Chicago, Philadelphia, Indianapolis, St. Louis, New Orleans, and other large cities. The banks in these large cities would in turn pass the same policy on to the small banks in their districts. There were no contracts or stock control existing between the banks, but there was an invisible control which was very powerful. With the organization of the Federal Reserve Banks, the clearance of checks at par, and the legislation against interlocking directorates, this control was given a tremendous jolt. No longer is it much of an object for a country bank to keep a deposit with the large city bank. Thus there has been a gradual drifting away on the part of the country banks from the city banks. The large cities have become more independent of New York; and the country banks have become more independent of the large cities. As long as the money rates were high, this did not worry the city banks, but during the past year, when money rates have been declining, the large city banks have distinctly felt the loss of their former power. Hence, they are looking around for some plan to get their country following back again.

"There is no hope of breaking up the Federal Reserve system which is functioning very satisfactorily. The men connected with the Federal Reserve Banks are active and ambitious. They are building permanent and substantial banking houses and are accumulating great resources. They are issuing reports and other publications which appeal greatly to the country banks. The larger city banks are distinctly worried about this and are looking for some other means of recouping their prestige. They first turned their attention to Foreign Trade organizations. 'Foreign Trade' was the key note at the American Bankers Convention two years ago. The foreign trade business, however, has not panned out as well as the banks had hoped it would, and our recent tariff has given almost a death blow to what little new foreign trade we had. Thus, the bank's hopes in this regard are not very sanguine at the moment. Another attempt has shown itself in the organization of separate 'Investment' companies and separate 'Acceptance' companies. These have been organized by many of the larger banks and most of them are operating successfully. Banks are finding these Investment companies more profitable at the moment than their foreign adventure.

The banks are gradually coming to the opinion, however, that they can recover their influence with the country districts only with organization of branch banks. Hence, there is a drive at present to have the National Bank Laws amended so that a city bank can own a system of branch banks in the surrounding cities and towns. Whether or not this is in line with Democracy, is a very debatable question; but the drive is on and my guess is that such branch banks are as inevitable as the chain store.

"All the banking systems of Europe are developed on the 'branch bank' idea. The big banks of England, France, and Germany have their branches in hundreds of cities and towns. One of the finest branch systems in the world exists in Canada, just over the United States line. In Montreal there are several big banks, and each of these have from one hundred branches in different Canadian cities and towns. As already stated, I doubt seriously whether the branch bank system is as good for the country as the present system. On the other hand, we know that the present tendency of eliminating the small farmer and substituting the renter in place of the owner is not for the good of the country. The development of chain store systems which are slowly crowding out the individual retailer is not good for the country.

One Christmas Mr. Henry Ford sent me an autographed photograph

on which he wrote these words: 'Eliminate absentee ownership and industrial problems will solve themselves'. He is correct in that absentee ownership is a present difficulty with our industrial organizations. As the chain store grows, a similar difficulty will develop which we do not now have with our individual retail system, and as a system of branch banks grows, there will be that same difficulty with our banking system. Yet I believe these changes are inevitable. Branch banks will be established throughout the country, and Congress will enact such legislation as is needed to make this possible."

"Mr. Babson was then asked what the effect of this would be on bank stocks and he replied that it should be a benefit to bank stocks. There are enough banks in the country districts at the present time. Hence, the city banks will be wise enough not to start new ones to serve as their branches. Instead the city banks will buy control of the better country banks. This will develop a new and active market for country bank stocks. Small banks in growing communities will be in special demand. Their stocks will surely sell higher. At the present time most bank stocks sell on "book value" with out any consideration of the value of "good will". As soon as city banks bid against one another for the country banks, the "good will" feature will at once be of value. With banks of small capital stock, this will at once become a valuable asset. Banks which have a small capital stock and banks which have a virtual monopoly of the banking interests in a community, will be in special demand. A community which has four banks will have these four banks purchased by four big city banks so that each of the four big city banks will have a branch in the smaller city. When, however, there is only one bank in the community the four big city banks will compete and bid against one another for the stock of this one bank. The stock of many of these small banks, which today can be bought around par, may later be purchased by some city bank at \$200 to \$250 a share. All the country banks need to do or to bring about these conditions is to buy good securities, avoid risks, and to keep themselves in a strong position. The city banks will be willing to pay a good price for good will and will not especially care about immediate earning capacity; but they will want to be sure that the assets are sound and that the bank has not many lame ducks."

General business as reflected in the Babsonchart continues to improve. Its present position—but 3 per cent below normal. The highest point in two years.

WEEKLY COTTON LETTER BY SAVANNAH COTTON FACTOR-AGE CO.

All cotton markets have been advancing this week due to settlement of the Turkish question, lighter offerings in most sections of the belt, private reports of a smaller yield than the trade expected, and a good demand from southern mills. Sales in foreign markets have also increased. This should be followed by a better demand from abroad.

The Consumption Report for September was published to-day showing 495,344 bales, against 484,718 bales last year. The total consumption of cotton during August and September amounted to 1,022,748 bales, against 951,777 bales last year.

Exports to date are slightly less than those of 1921. This is due to unsettled conditions in foreign countries. As stated above, sales of cotton in foreign markets are increasing and exports from the Gulf ports have been much larger this month than last.

Most of the crop has been picked, offering are lighter, the demand is good, and unless something unforeseen occurs, the market should continue to work higher.

MT. ZION WINS FIRST GAME OF SEASON

Mt. Zion opened the foot-ball season in Rock Hill against Winthrop Training school last Friday, winning it by the score of 6 to 0.

The two teams were about evenly matched in weight. Mt. Zion scored in the first five minutes of play on line bucks and end runs. Mt. Zion's goal was never in danger throughout the entire game. To mention the stars for Mt. Zion would be hard to do. The whole team played good ball and showed that they had been well coached. Johnson at quarterback was the best ground-gainer for the local Hi. He ran several punts back in fine style.

The local team will play Kershaw here Friday on the College Campus. Last year Kershaw defeated Mt. Zion and this year the locals are out for revenge. Everybody be on the College Campus to cheer the home boys on to victory.

ADVANCES MONEY TO MEMBERS

Columbia, Oct. 16—Over \$3,250,000 has been paid out by the South Carolina Cotton Growers Cooperative Association in advances to its members, officials of the association announced. An average of well over \$100,000 is being paid out daily. The association is advancing 12 cents a pound on short staple and 18 cents a pound on long staple to its members. This represents merely the initial advance.

Heavy deliveries are reported from every section of the state. Members of the association are standing loyally behind the organization, officials said, and thus far only one violation of the contract has been reported. In case legal proceedings have been instituted. Contracts were received during the past week from many large farmers, and enthusiasm for the association is declared to be sweeping over the entire state. The banks and business men of the state are not only cooperating actively with the members of the state but are urging their farmer customers who are not already members to join at once and market their old and new cotton through it.

KILL 1923 WEEVILS NOW

One of the most effective steps in boll weevil control is the early destruction of cotton stalks. Just as soon as the cotton can be harvested, go into the cotton field and either turn under the cotton stalks or rip them up with a plow. The object is to destroy the cotton plants.

Weevils can not feed on dead cotton stalks. When their food is destroyed they migrate to where they can feed or else go into winter quarters. Whether they are thus driven away from your farm or driven into winter quarters the probabilities of their damaging you again next season are greatly reduced.

Over most of the cotton belt it is possible to gather the cotton early enough to permit of the destruction of the cotton stalks three to four weeks before a killing frost will destroy them. Three to four weeks earlier in going into winter quarters means that death of weevils from starvation and cold will be greatly increased.

It is the last weevils that go into winter quarters that cause damage in the cotton crop the next year. If all of these were starved out by destroying cotton stalks early there would, of course, be an end of the weevil. While one can not expect that cotton will ever be destroyed early and completely enough to accomplish a complete eradication of the weevil, it is true that to the extent that this is done the number of weevils and their damage will be reduced.

Chopping down stalks leaves stubs that sprout new growth on which the weevil can feed, therefore, the only safe way is to uproot the stalks or else, with the aid of a drag chain, to turn them completely under the furrow slice.

Knowing that many cotton farmers do not plow deep enough to cover up cotton stalks, the safest general advice is to uproot the stalks with a plow and to watch that no new growth starts up.

As long as there is green cotton growth left in the field, the weevil will be found.

It will crawl into a lock of cotton or half opened bur to keep warm and come out when the sun shines to feed on the green stuff.

Don't burn the cotton stalks. Let them lay on the ground. When the ground is plowed they can be turned under where they will decay and add the organic matter which the soil's so much need.

Why not organize a community-wide, or county-wide movement for the early destruction of cotton stalks. It means less trouble from the weevils next year.

WANTED—To hear from owner of good farm for sale. State cash price, full particulars. D. F. Bush, Minneapolis, Minn. 28-29pd

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